

## Message Text

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ACTION ARA-10

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 8258

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INFO CINCSO

C O N F I D E N T I A L CARACAS 3635

EO 11652: GDS

TAGS: MASS VE

SUBJ: VENEZUELAN GENERAL TO VISIT WASHINGTON TO SEEK INCREASED  
FOREIGN MILITARY SALES DIRECT CREDIT

SUMMARY: VENEZUELA IS PLANNING TO SEND BRIGADIER GENERAL LOSSADA VOLCAN TO WASHINGTON ON APRIL 10 TO SEEK A SUBSTANTIAL INCREASE OVER THE FMS DIRECT CREDITS WHICH THE U.S. EXTENDED TO THE GOV IN FY 1974. WE UNDERSTAND THAT THE VENEZUELAN EMBASSY IN WASHINGTON HAS BEEN MAKING APPOINTMENTS FOR LOSSADA WITH SENIOR STATE AND DOD OFFICIALS. VENEZUELAN MINISTER OF DEFENSE ATTACHES GREAT IMPORTANCE TO THIS MISSION. THE EMBASSY RECOMMENDS THAT SENIOR OFFICIALS GIVE LOSSADA AN UNDERSTANDING HEARING, CAREFULLY EXPLAIN CURRENT REALITIES WITH RESPECT TO CREDIT SALES TO VENEZUELA, AND ASSURE HIM THAT A GRADUAL REDUCTION OF FMS DIRECT CREDITS DOES NOT REPRESENT A DECLINING INTEREST IN CLOSE RELATIONS WITH VENEZUELA AND WITH THE VENEZUELAN ARMED FORCES.  
END SUMMARY

1. ON APRIL 10, THE VENEZUELAN MINISTER OF DEFENSE PLANS TO SEND HIS PERSONAL REPRESENTATIVE, ARMY BRIGADIER GENERAL LOSSADA VOLCAN, TO DISCUSS VENEZUELA'S REQUEST FOR \$36 MILLION OF FMS DIRECT CREDIT AND TO OBTAIN CREDIT AGREEMENT AUTHORIZATION. HE WILL BE ACCOMPANIED  
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BY MAJOR JAMES G. MAXFIELD, USAF, U.S. MILITARY GROUP LOGISTICS

ADVISOR TO THE VENEZUELAN MINISTRY OF DEFENSE. THIS IS THE FIRST TIME THAT THE MOD HAS SENT A REPRESENTATIVE OF GENERAL OFFICER RANK TO WASHINGTON ON SUCH A MISSION. THE EMBASSY UNDERSTANDS THAT THE VENEZUELAN EMBASSY IN WASHINGTON HAS SOUGHT APPOINTMENTS FOR GEN LOSSADA WITH SENIOR-LEVEL OFFICIALS IN STATE (PM AND ARA) AND DEFENSE (ISA/DSAA).

2. GENERAL LOSSADA PLANS TO REVIEW VENEZUELA'S PROPOSED CREDIT PURCHASES AND TO REQUEST A SUBSTANTIAL INCREASE OVER FY 1974 FMS DIRECT CREDIT EXTENSION (\$7.5 MILLION). MOD OFFICIALS CONSIDER THAT VENEZUELA'S PRESENT PURCHASING POWER AND CURRENT REPAYMENT RECORD JUSTIFY SUCH AN INCREASE. ALTHOUGH WE DOUBT THAT THE GOV IS EXPECTING TO RECEIVE THE FULL \$36 MILLION DIRECT FMS CREDIT WHICH IT HAS REQUESTED FOR FY 1975, THE VENEZUELAN APPEAR TO HAVE EXPECTATIONS OF A SIGNIFICANT INCREASE, E.G., TO ROUGHLY \$20 MILLION. AT THE SAME TIME, THERE IS NO QUESTION THAT THE GOV IS SERIOUS ABOUT THE REQUEST FOR \$36 MILLION, OR THAT THEY WOULD USE THAT FULL AMOUNT, IF OFFERED.

4. IT IS ALSO CLEAR THAT THE MOD CONSIDERS THE SUCCESS OF GENERAL LOSSADA'S MISSION TO BE A YARKSTICK OF FUTURE U.S. INTENTIONS, NOT ONLY IN THE CREDIT FIELD, BUT ALSO WITH RESPECT TO OUR ATTITUDES TOWARD LONG-TERM RELATIONS WITH THE VENEZUELAN MILITARY. SINCE THE U.S. HAS DEVOTED SUBSTANTIAL RESOURCES AND EFFORT OVER THE YEARS TO DEVELOP THIS IMPORTANT RELATIONSHIP, SINCE THIS RELATIONSHIP REMAINS ONE OF THE FEW OF OUR DWINDLING ASSETS IN VENEZUELA, AND SINCE VENEZUELA IS PLAYING AN INCREASINGLY ACTIVE INTERNATIONAL ROLE (INCLUDING IN THE STRATEGICALLY VITAL CARIBBEAN AREA), THE EMBASSY HOPES THAT SENIOR-LEVEL OFFICIALS FROM BOTH STATE AND DEFENSE WILL GIVE CAREFUL AND SYMPATHETIC ATTENTION TO LOSSADA'S MISSION.

5. THE EMBASSY IS, OF COURSE, AWARE OF CURRENT DIFFICULTIES IN WASHINGTON IN MAINTAINING SUBSTANTIAL LEVELS OF FMS DIRECT CREDIT TO "OIL RICH" COUNTRIES SUCH AS VENEZUELA. WE ARE ALSO MINDFUL OF THE RECENT DECISION TO ABANDON THE EARLIER POLICY OF "EVENHANDEDNESS" BETWEEN VENEZUELA AND COLOMBIA AND TO REDUCE GRADUALLY DIRECT CREDITS TO VENEZUELA (STATE 33070). AS WE SUGGESTED IN OUR RECENT CASP, ONE WAY TO HELP OFFSET THE NEGATIVE EFFECT OF THIS DECISION ON U.S. RELATIONS WITH THE VENEZUELAN ARMED FORCES WOULD BE FOR THE U.S. CONFIDENTIAL

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AT SENIOR LEVELS TO ASSURE VENEZUELA THAT A GRADUAL DECREASE IN FMS DIRECT CREDIT DOES NOT REPRESENT A DECLINING INTEREST IN CLOSE RELATIONS WITH THE VENEZUELAN MILITARY. GEN LOSSADA'S VISIT WILL PROVIDE AN EXCELLENT OPPORTUNITY TO PROVIDE SUCH ASSURANCES. WASHINGTON OFFICIALS COULD EXPLAIN FRANKLY THE RATIONALE AND THE REALITIES BEHIND THE U.S. POSITION ON DIRECT CREDITS TO VENEZUELA. AT THE SAME TIME, THEY COULD STATE: (1) THAT THIS POLICY ONLY REFLECTS THE FACT THAT THE VENEZUELAN ARMED FORCES ARE MOVING

SUCCESSFULLY TOWARDS GREATER SELF-SUFFICIENCY; (2) THAT THE U.S. PLANS TO REMAIN A MAJOR SOURCE OF MILITARY EQUIPMENT, TRAINING AND TECHNOLOGY FOR THE VENEZUELAN ARMED FORCES; AND (3) THAT THE U.S. WOULD WELCOME SUGGESTIONS FOR FURTHER WAYS TO INCREASE COOPERATION AND CONTACT WITH THE VENEZUELAN ARMED FORCES.  
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